



## ANNUAL USE OF CAPITAL SURVEY - 2009

## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Guaranty Federal Bancshares, Inc.

Person to be contacted regarding this report:	Carter Peters, EVP/CFO
CPP Funds Received:	\$17,000,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	1/30/2009
Date Repaid <sup>1</sup> :	

RSSD: (For Bank Holding Companies)	2618940
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	
City:	Springfield
State:	Missouri

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	Total loans declined \$39,468,841 from January 2009 (\$570,565,176) to February 2010 (\$531,096,335). Lending reduced more than otherwise would have occurred previously due to significant economic downturn and increased regulatory scrutiny restricting lending activity.
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<input type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	
<input checked="" type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	<p>The bank's investment portfolio has grown significantly from \$70,139,215 as of January 31, 2009 to \$119,435,117 at March 31, 2010 covering various types of US Gov't agencies, Gov't sponsored MBS and certificates of deposit.</p>
<input checked="" type="checkbox"/>	<p>Make other investments</p>	<p>The bank has increased its investments in federal and state low income housing tax credit projects approximately \$2,700,000 from January 31, 2009 to March 31, 2010.</p>
<input checked="" type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	<p>Specific reserves on impaired loans increased from \$5,549,397 at January 2009 to \$7,793,647 at February 2010, an increase of \$2,244,250.</p>

<input checked="" type="checkbox"/>	Reduce borrowings	From the funds received, the holding company utilized \$1,435,190 to pay off existing debt with a correspondent bank. Additionally, the Bank was able to reduce FHLB borrowings \$16,386,000 from December 31, 2008 to March 31, 2010.
<input checked="" type="checkbox"/>	Increase charge-offs	Charge-offs increased from \$1,037,715 reported at January 2009 to \$9,625,399, an additional \$8,587,684 reported in 2009. Charge-offs through February 2010 were \$316,260.
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	The Bank has not purchased another other financial institutions; however, the Bank has purchased participations from other financial institutions totaling \$1,600,000 from January 2009 to February 2010.
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

\*Falling below Well-Capitalized per the Prompt Corrective Action standards addressed in Part 325 of the FDIC Rules and Regulations. \*Potential repercussions from third party vendors for weakened capital position and poor financial performance.  
\*Total loss of shareholder confidence during turbulent economic times.  
\*Reduced ability to meet customer and community needs.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

- Injecting capital readily at time needed since most capital sources had frozen in early 2009.
- Adequately supporting estimated losses that arise in the loan portfolio as borrowers continue to suffer through economic vagaries.
- Reducing the bank's exposure to commercial real estate related credits.
- Meeting credit needs by extending additional loans to credit worthy borrowers in the community and support local projects with existing customers.
- Working with existing borrowers to avoid preventable foreclosures and mitigate other potential mortgage-related losses.
- Assisting in less reliant on non-core funding sources to support the bank's long term assets.
- Enable bank to allow existing creditworthy customers to draw on existing lines of credit to complete projects in the community and to obtain affordable financing to keep their homes.
- Allow for loans to be made prudently and responsibly to creditworthy borrowers.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

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According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.